

GREAT PRAIRIE AREA EDUCATION AGENCY  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2012

GREAT PRAIRIE AREA EDUCATION AGENCY

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GREAT PRAIRIE AREA EDUCATION AGENCY

OFFICIALS

JUNE 30, 2012

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b><u>Board of Directors</u></b>		
Joy Prothero	President	2015
Vicki Stephenson	Vice-President	2013
John Adam	Member	2013
Peg Campbell	Member	2015
Lonny Morrow	Member	2013
Matt Greiner	Member	2015
Marge Wilhelm	Member	2015
Joyce Wauters	Member	2015
Melissa Ballard	Member	2013
<b><u>Agency</u></b>		
Dr. Jon Sheldahl	Administrator	Annual Contract
Nancy Brown	Board Secretary	Appointed
Dennis Gourley	Chief Financial Officer and Treasurer	Appointed

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Great Prairie Area Education Agency

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency as of and for the year ended June 30, 2012, which collectively comprise the Agency's basic financial statements listed in the table of contents. These financial statements are the responsibility of Agency officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency at June 30, 2012, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2012 on our consideration of Great Prairie Area Education Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 3 through 10 and 30 through 33 be presented to supplement the basic financial statements, such information although not a required part of the basic financial statement is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Great Prairie Education Agency's basic financial statements. We previously audited, in accordance with standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements.

The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of State, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of Great Prairie Area Education Agency's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
November 29, 2012

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## **Management's Discussion and Analysis**

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This section of the Great Prairie Area Education Agency's annual financial report presents its discussion and analysis of the Agency's financial performance during the fiscal year ended June 30, 2012. The analysis focuses on the Agency's financial performance as a whole.

Please read it in conjunction with the Agency's financial statements, which immediately follow this section.

### **2012 FINANCIAL HIGHLIGHTS**

- General Fund revenues and transfers in decreased from \$27,780,892 in fiscal 2011 to \$24,573,222 in fiscal 2012. The decrease in General Fund revenues was primarily attributable to the American Recovery and Reinvestment Act (ARRA) proceeds that were received in fiscal year 2011 but not in fiscal year 2012 and to the reduction in state aid enacted by the state legislature.
- General fund expenditures and transfers out decreased from \$27,629,017 in fiscal 2011 to \$25,295,651 in fiscal 2012. The decrease in expenditures was due primarily to the end of the American Recovery and Reinvestment Act (ARRA) proceeds after fiscal year 2011.
- The Agency's General Fund balance decreased from \$4,673,585 at the end of fiscal year 2011 to \$3,951,156 at the end of fiscal year 2012, a 15.5 percent decrease. The decrease in fund balance was due primarily to a larger than expected, state legislature enacted reduction in state aid. The agency anticipated and planned for a \$1,421,793 reduction, but the state legislature enacted a \$2,232,765 reduction.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Great Prairie AEA as a whole and present an overall view of the Agency's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide statements by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the non-major funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

## **REPORTING THE AGENCY'S FINANCIAL ACTIVITIES**

### **Government-wide Financial Statements**

The Agency-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Agency's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two Agency-wide statements report the Agency's *net assets* and how they have changed. Net assets – the difference between the Agency's assets and liabilities – are one way to measure the Agency's financial health or *position*.

- Over time, increases or decreases in the Agency's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the Agency's overall health, you need to consider additional non-financial factors such as changes in enrollments in the local school districts that the Agency serves and the condition of the Agency's office buildings.

In the Agency-wide financial statements, the Agency's activities are divided into two categories:

- *Governmental activities*: Most of the Agency's basic services are included here, such as instructional services, media services, special education support, and administration. Property taxes, state aid and federal program grants finance most of these activities.
- *Business-type activities*: The Agency charges fees to help cover the costs of certain services it provides. The Agency's cooperative purchasing program is included here.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for the Special Education Instruction and Juvenile Home funds.

The Agency has two kinds of funds:

- Governmental funds account for most of the Agency's basic services. These focus on how cash and other financial assets readily converted to cash flow in and out and the balances left at year-end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The Agency's governmental funds include 1) the General Fund, 2) the Special Revenue Funds, 3) the Debt Service Fund and 4) the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- Proprietary funds account for services for which the Agency charges a fee. Proprietary funds are reported in the same way as the government-wide statements. The Agency's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The Agency currently has one Enterprise Fund, the Cooperative Purchasing Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net assets may serve over time as a useful indicator of financial position. Great Prairie Area Education Agency's net assets at the end of fiscal year 2012 totaled approximately \$7.4 million compared to approximately \$7.9 million at the end of fiscal year 2011. The analysis that follows focuses on the net assets and changes in net assets.

As the table on the next page shows, the agency's combined net assets decreased 6.6 percent or approximately \$516,000.



**SUMMARY OF NET ASSETS**  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2011	2012	2011	2012	2011	2012	2011-2012
Total Assets	14,775.4	13,127.3	47.5	47.4	14,822.8	13,174.7	-11.1%
Total Liabilities	6,943.9	5,812.1	-	-	6,943.9	5,812.1	-16.3%
Net Assets							
Invested in Capital Assets net of related Debt	2,461.4	2,718.5	-	-	2,461.4	2,718.5	10.4%
Restricted	586.0	490.8	-	-	586.0	490.8	-16.2%
Unassigned	4,784.1	4,105.9	47.5	47.4	4,831.6	4,153.3	-14.0%
Total Net Assets	7,831.5	7,315.2	47.5	47.4	7,879.0	7,362.6	-6.6%

The following analysis details the changes in net assets resulting from the Agency's activities.

**CHANGES IN NET ASSETS FROM OPERATING RESULTS**  
(in thousands of dollars)

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2011	2012	2011	2012	2011	2012	2011-2012
Program Revenues:							
Charges for services	990.4	1037.9	1.5	11.8	991.9	1049.7	5.8%
Operating Grants and Contributions	13,321.5	11,551.5	-	-	13,321.5	11,551.5	-13.3%
General Revenues:							
Property taxes	6,144.9	6,252.1	-	-	6,144.9	6,252.1	1.7%
State aid	8,080.0	6,403.4	-	-	8,080.0	6,403.4	-20.8%
Total revenues	28,536.8	25,244.9	1.5	11.8	28,538.3	25,256.7	-11.5%
Expenditures:							
Current:							
Instruction	2,000.9	1,615.3	-	-	2,000.9	1,615.3	-19.3%
Student support services	20,029.5	18,931.0	-	-	20,029.5	18,931.0	-5.5%
Media services	1,546.9	1,583.7	-	-	1,546.9	1,583.7	2.4%
General administration	1,090.6	1,090.9	-	-	1,090.6	1,090.9	0.0%
Educational services	2,271.0	1,731.7	-	-	2,271.0	1,731.7	-23.7%
Plant operations and maintenance	338.5	313.8	-	-	338.5	313.8	-7.3%
Central and other support services	397.5	395.7	-	-	397.5	395.7	-0.5%
Interest on long-term debt	79.2	81.6	-	-	79.2	81.6	3.0%
Cooperative purchasing	-	-	1.6	11.8	1.6	11.8	637.5%
Total expenditures	27,754.1	25,743.7	1.6	11.8	27,755.7	25,755.5	-7.2%
Excess (deficiency) before special item	782.7	(498.8)	-(0.1)	-	782.6	(498.8)	-163.7%
Special Items:							
Gain (Loss) on disposal of assets	3.2	(17.5)	-	-	3.2	(17.5)	-646.9%
Total Special Items	3.2	(17.5)	-	-	3.2	(17.5)	-646.9%
Increase (decrease) in net assets	785.9	(516.3)	-(0.1)	-	785.8	(516.3)	-165.7%

## **Governmental Activities**

Revenues for the Agency's governmental activities decreased 11.6 percent, and total expenses decreased 7.2 percent compared to the prior year. The decrease in revenues and expenditures was due primarily to the end of the American Recovery and Reinvestment Act (ARRA) proceeds after fiscal year 2011.

Revenues for governmental activities were \$25,227,389 while expenses amounted to \$25,743,696.

- The cost of all governmental activities this year was \$25,743,696.
- The portion of the cost financed by users of the Agency's programs was \$1,037,926.
- The federal and state government subsidized certain programs with grants and contributions totaling \$11,551,550.
- The net cost portion of governmental activities was financed with \$6,252,102 in flowthrough property tax and \$6,403,368 in state foundation aid.

## **Business-Type Activities**

Revenues and expenditures of the Agency's business-type activities (the Cooperative Purchasing Fund) increased from \$1,498 to \$1,605 in fiscal year 2011 and \$11,751 and \$11,751 in fiscal year 2012.

## **INDIVIDUAL FUND ANALYSIS**

As previously noted, Great Prairie AEA uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the Agency as a whole is reflected in its governmental funds as well. As the Agency completed the year, its governmental funds reported combined fund balances of \$4,412,980 which was a decrease from the beginning of the year's fund balances of \$5,238,832.

## **Governmental Fund Highlights**

- The Agency's General Fund financial position decreased due primarily to a larger than expected, state legislature enacted reduction in state aid.
- The General Fund balance decreased from \$4,673,585 to \$3,951,156 due primarily to a larger than expected, state legislature enacted reduction in state aid. The agency anticipated and planned for a \$1,421,793 reduction, but the state legislature enacted a \$2,232,765 reduction.

### **Proprietary Fund Highlights**

The Co-op Fund net assets remained constant at \$47,425 in fiscal 2011 to \$47,425 in fiscal 2012. As previously noted, the Agency operates a cooperative purchasing fund for the benefit of the school districts served by the Agency.

## **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Directors annually adopts a budget following required public notice and hearing for all funds, except its private-purpose trust and agency funds. The budget may be amended during the year. The Agency's budget is prepared on the accrual basis. Over the course of the year, the Agency amended its annual budget once to reflect adjustments to funding sources and reclassifications among expenditures. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the required supplementary information section of this report.

### **General Fund Budgetary Highlights**

- The Agency's General Fund budget did not vary significantly from actual results. The financial statements include a comparison of budget and actual for the governmental and proprietary fund types. The variances between budget and actual for the governmental fund types were \$355,663 or less than 1.4% of expenditures.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

By the end of fiscal 2012, the Agency had invested \$4.39 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, materials lending library, computers and audio-visual equipment. More detailed information about capital assets is available in Note 3 to the financial statements. Depreciation expense for the year was \$741,895. Total accumulated depreciation was \$10,426,233 at June 30, 2012.

Excluding depreciation, the Agency has \$14.82 million in capital assets. Governmental funds account for the entire \$14.82 million.

### **Long-Term Debt**

At June 30, 2012, the Agency had \$1,806,263 in long-term liabilities outstanding. This represents a decrease of 20.2 percent from the beginning of the year. The decrease was primarily due to the annual principal payments on the agency's bonded indebtedness for the Albia, Burlington and Ottumwa buildings. More detailed information about the Agency's long-term liabilities is available in Note 4 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the Agency was aware of several circumstances that could significantly affect its financial health in the future:

- The state legislature increased the reduction in state aid to all of the state's area education from \$7.5 million in Fiscal Year 2011 to \$27.5 million in Fiscal Year 2012. The state legislature maintained the \$27.5 million reduction in Fiscal Year 2013. Great Prairie Area Education Agency's portion of this amount is \$2,232,765. The American Recovery and Reinvestment Act (ARRA) ended September 30, 2011. The ARRA funds by fiscal year are: FY 2008-2009 - \$1,250,642; FY 2009-2010 - \$7,107,168; and FY 2010-2011 - \$1,825,133.
- The Agency's student enrollment projections continue to reflect a decline. State aid funding and flowthrough property tax funding for the Agency is tied to enrollment.

## **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Agency's citizens, taxpayers, customers, and investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Gourley, Chief Financial Officer, Great Prairie Area Education Agency, 2814 North Court Street, Ottumwa, Iowa 52501-1163.

## GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF NET ASSETS  
JUNE 30, 2012

	Governmental Activities	Business Type Activities	Total
<u>ASSETS</u>			
Cash and pooled investments	\$ 4,059,411	\$ 41,103	\$ 4,100,514
Receivables:			
Accounts	434,968	-	434,968
Due from other governments	3,974,082	6,341	3,980,423
Inventories	82,072	-	82,072
Net OPEB asset	183,734	-	183,734
Capital assets - Net of accumulated depreciation	<u>4,393,058</u>	<u>-</u>	<u>4,393,058</u>
TOTAL ASSETS	<u>13,127,325</u>	<u>47,444</u>	<u>13,174,769</u>
<u>LIABILITIES</u>			
Accounts payable	1,138,390	19	1,138,409
Salaries and benefits payable	2,734,473	-	2,734,473
Deferred revenue:			
Federal grants	133,006	-	133,006
Long-term liabilities:			
Portion due or payable within one year:			
Certificates of participation	435,394	-	435,394
Compensated absences	131,684	-	131,684
Portion due or payable after one year:			
Certificates of participation	<u>1,239,185</u>	<u>-</u>	<u>1,239,185</u>
TOTAL LIABILITIES	<u>5,812,132</u>	<u>19</u>	<u>5,812,151</u>
<u>NET ASSETS</u>			
Invested in capital assets - Net of related debt	2,718,479	-	2,718,479
Restricted for:			
Encumbrances	28,984	-	28,984
Debt service	396,579	-	396,579
Special education instruction	65,245	-	65,245
Unrestricted	<u>4,105,906</u>	<u>47,425</u>	<u>4,153,331</u>
TOTAL NET ASSETS	\$ <u>7,315,193</u>	\$ <u>47,425</u>	\$ <u>7,362,618</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants, and Contributions</u>
<u>FUNCTIONS/PROGRAMS:</u>			
Governmental activities:			
Instruction	\$ 1,615,334	\$ 1,037,926	\$ 334,219
Student support services	18,931,006	2,491,410	17,101,625
Media services	1,583,705	1,792,617	133,584
General administration	1,090,932	-	-
Educational services	1,731,676	1,968,076	385,489
Plant operations and maintenance	313,752	-	-
Central and other support services	395,678	-	-
Interest on long-term debt	81,613	-	-
Total governmental activities	<u>25,743,696</u>	<u>7,290,029</u>	<u>17,954,917</u>
Business type activities:			
Non-instructional programs:			
Cooperative purchasing	<u>11,751</u>	<u>11,751</u>	<u>-</u>
Total	<u>\$ 25,755,447</u>	<u>\$ 7,301,780</u>	<u>\$ 17,954,917</u>
<u>GENERAL REVENUES:</u>			
Loss on disposal of capital assets			
Change in net assets			
Net assets beginning of year			
Net assets end of year			

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ (243,189)	\$ -	\$ (243,189)
662,029	-	662,029
342,496	-	342,496
(1,090,932)	-	(1,090,932)
621,889	-	621,889
(313,752)	-	(313,752)
(395,678)	-	(395,678)
(81,613)	-	(81,613)
<u>(498,750)</u>	<u>-</u>	<u>(498,750)</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>(498,750)</u>	<u>-</u>	<u>(498,750)</u>
<u>(17,557)</u>	<u>-</u>	<u>(17,557)</u>
(516,307)	-	(516,307)
<u>7,831,500</u>	<u>47,425</u>	<u>7,878,925</u>
\$ <u>7,315,193</u>	\$ <u>47,425</u>	\$ <u>7,362,618</u>

## GREAT PRAIRIE AREA EDUCATION AGENCY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2012

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and pooled investments	\$ 3,670,799	\$ 470,791	\$ 4,141,590
Receivables:			
Accounts	228,635	206,333	434,968
Due from other governments	3,974,082	-	3,974,082
Inventories	<u>82,072</u>	<u>-</u>	<u>82,072</u>
 TOTAL ASSETS	 \$ <u>7,955,588</u>	 \$ <u>677,124</u>	 \$ <u>8,632,712</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 1,134,799	\$ 3,591	\$ 1,138,390
Cash overdraft	-	82,179	82,179
Salaries and benefits payable	2,623,176	111,297	2,734,473
Compensated absences	131,684	-	131,684
Deferred revenue:			
Federal grants	<u>114,773</u>	<u>18,233</u>	<u>133,006</u>
 TOTAL LIABILITIES	 <u>4,004,432</u>	 <u>215,300</u>	 <u>4,219,732</u>
Fund balances:			
Nonspendables			
Inventories	82,072	-	82,072
Restricted for:			
Debt service	-	396,579	396,579
Special education instruction	-	65,245	65,245
Assigned:			
Encumbrances	28,984	-	28,984
Carpet	120,750	-	120,750
Albia office	50,000	-	50,000
Media resources	317,226	-	317,226
Categorical funding	76,998	-	76,998
Burlington roof	98,000	-	98,000
Alley replacement	90,000	-	90,000
Rooftop units	126,000	-	126,000
Undesignated	<u>2,961,126</u>	<u>-</u>	<u>2,961,126</u>
Total fund balances	<u>3,951,156</u>	<u>461,824</u>	<u>4,412,980</u>
 TOTAL LIABILITIES AND FUND BALANCES	 \$ <u>7,955,588</u>	 \$ <u>677,124</u>	 \$ <u>8,632,712</u>



GREAT PRAIRIE AREA EDUCATION AGENCYRECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL  
FUNDS TO THE STATEMENT OF NET ASSETSJUNE 30, 2012

<u>TOTAL GOVERNMENTAL FUND BALANCES</u>	\$ 4,412,980
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of assets is \$14,819,291 and the accumulated depreciation is \$10,426,233.	4,393,058
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Other long-term assets are not available to pay current period expenditures and, therefore, are not recorded in the governmental funds.	183,734
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Long-term liabilities, including certificates of participation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(1,674,579)</u>
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<u>NET ASSETS OF GOVERNMENTAL ACTIVITIES</u>	\$ <u>7,315,193</u>
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GREAT PRAIRIE AREA EDUCATION AGENCY  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2012

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Revenues:			
Local sources	\$ 6,946,227	\$ 343,802	\$ 7,290,029
State sources	7,573,018	334,219	7,907,237
Federal sources	10,047,680	-	10,047,680
Total revenues	<u>24,566,925</u>	<u>678,021</u>	<u>25,244,946</u>
Expenditures:			
Current:			
Instruction	-	671,726	671,726
Student support services	18,744,872	-	18,744,872
Media services	1,824,622	-	1,824,622
General administration	1,047,223	-	1,047,223
Educational services	2,363,753	-	2,363,753
Plant operations and maintenance	308,286	-	308,286
Central and other support services	409,765	-	409,765
Debt service	-	515,034	515,034
Facilities acquisition	-	185,517	185,517
Total expenditures	<u>24,698,521</u>	<u>1,372,277</u>	<u>26,070,798</u>
Deficiencies of revenues under expenditures	<u>(131,596)</u>	<u>(694,256)</u>	<u>(825,852)</u>
Other financing sources (uses):			
Transfers in	6,297	597,130	603,427
Transfers out	<u>(597,130)</u>	<u>(6,297)</u>	<u>(603,427)</u>
Total other financing sources (uses)	<u>(590,833)</u>	<u>590,833</u>	<u>-</u>
Deficiency revenues and other financing sources under expenditures and other financing uses	<u>(722,429)</u>	<u>(103,423)</u>	<u>(825,852)</u>
Fund balances beginning of year	<u>4,673,585</u>	<u>565,247</u>	<u>5,238,832</u>
Fund balances end of year	\$ <u>3,951,156</u>	\$ <u>461,824</u>	\$ <u>4,412,980</u>

## GREAT PRAIRIE AREA EDUCATION AGENCY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (825,852)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expenses to allocate those expenditures over the estimated useful lives of the assets. Governmental funds report the selling price of capital assets disposed while governmental activities report gains and losses on the disposal of capital assets. Depreciation expense and loss on disposal of capital assets exceeded capital expenditures in the current year, as follows:

Expenditures for capital assets	\$ 583,144	
Depreciation expense	(741,895)	
Loss on disposal of capital assets	<u>(17,557)</u>	(176,308)

Repayment of long-term liabilities is an expenditure in the governmental funds, but reduces long-term liabilities in the Statement of Net Assets. Proceeds from long term liabilities is a revenue in the governmental funds but increases long term liabilities in the Statement of Net Assets:

Payments	433,421
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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Other postemployment benefits	<u>52,432</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (516,307)

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
JUNE 30, 2012

	Cooperative <u>Purchasing</u>
<u>ASSETS:</u>	
Current assets:	
Cash and cash equivalents	\$ 41,103
Due from other governments	<u>6,341</u>
Total assets	<u>47,444</u>
 <u>LIABILITIES:</u>	
Accounts payable	<u>19</u>
 <u>NET ASSETS:</u>	
Unrestricted	\$ <u>47,425</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	<u>Cooperative Purchasing</u>
<u>Operating revenues:</u>	
Charges for service	\$ <u>11,751</u>
<u>Operating expenses:</u>	
Non-instructional programs:	
Purchased services	<u>11,751</u>
CHANGE IN NET ASSETS	-
Net assets beginning of year	<u>47,425</u>
Net assets end of year	\$ <u>47,425</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED JUNE 30, 2012

	<u>Cooperative Purchasing</u>
Cash flows from operating activities:	
Cash received from customers	\$ 6,908
Cash paid to suppliers	<u>(11,839)</u>
Net cash used in operating activities	(4,931)
Cash and cash equivalents beginning of year	<u>46,034</u>
Cash and cash equivalents end of year	\$ <u>41,103</u>
Reconciliation of operating income to net cash used in operating activities:	
Operating income	\$ -
Adjustments to reconcile operating income to net cash used in operating activities:	
Increase in due from other governments	(4,843)
Decrease in accounts payable	<u>(88)</u>
Net cash used in operating activities	\$ <u>(4,931)</u>

## GREAT PRAIRIE AREA EDUCATION AGENCY

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Great Prairie Area Education Agency is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 40 school districts and private schools in a fourteen-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### Reporting Entity

For financial reporting purposes, Great Prairie Area Education Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. Great Prairie Area Education Agency has no component units which meet the Governmental Accounting Standards Board criteria.

##### Basis of Presentation

Government-wide financial statements – The Statement of Net Assets and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Agency reports the following major governmental funds:

The General Fund is the general operating fund of the Agency. All general revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current year. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Agency's policy is to pay the expenditure from restricted fund balances and then from, less-restrictive classifications - committed, assigned, and then unassigned fund balances.

The proprietary fund of the Agency applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.



GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency's Enterprise Fund is charges to customers for services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Assets, Liabilities and Fund Equity

Cash, Pooled Investments and Cash Equivalents – Cash includes amounts in demand deposit accounts and money market funds. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Inventories – Inventories are stated at cost using the first-in, first-out method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Capital Assets – Capital assets, which include property, furniture and equipment and intangibles, are reported in the applicable governmental or business type activities column in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of one year.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 300
Buildings	300
Improvements other than buildings	300
Intangibles	300
Furniture and equipment	300
Library books and films	300

Capital assets of the Agency are depreciated/amortized using the straight line method of depreciation/amortization over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20
Intangibles	5
Furniture and equipment	5
Library books and films	5

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August have been accrued as liabilities.

Deferred Revenue – Deferred revenue represents an excess of cash advances by the funding source over accrued expenditures at year end.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability has been recorded in the Statement of Net Assets representing the Agency's commitment to fund non-current compensated absences. This liability has been computed based on rates of pay in effect at June 30, 2012. The compensated absences liability attributable to the governmental activities will be paid primarily by the General and Special Revenue Funds.

Long-Term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Directors through resolution approved prior to year end. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same action it employed to commit these amounts.

Assigned – Amounts the Board of Directors intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2: CASH AND POOLED INVESTMENTS

The Agency's deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

The Agency had investments in the Iowa Schools Joint Investment Trust Diversified Portfolio which are valued at an amortized cost of \$5,857 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 347,760	\$ -	\$ -	\$ 347,760
Capital assets being depreciated/amortized:				
Buildings	2,836,169	-	-	2,836,169
Improvements other than buildings	2,540,480	185,517	-	2,725,997
Furniture and equipment	6,095,356	259,392	335,749	6,018,999
Library books and films	<u>2,968,018</u>	<u>138,235</u>	<u>215,887</u>	<u>2,890,366</u>
Total capital assets being depreciated/amortized	<u>14,440,023</u>	<u>583,144</u>	<u>551,636</u>	<u>14,471,531</u>
Less accumulated depreciation/ amortization for:				
Buildings	813,847	56,723	-	870,570
Improvements other than buildings	1,474,825	136,300	-	1,611,125
Furniture and equipment	5,369,978	336,741	318,193	5,388,526
Library books and films	<u>2,559,767</u>	<u>212,131</u>	<u>215,886</u>	<u>2,556,012</u>
Total accumulated depreciation/ amortization	<u>10,218,417</u>	<u>741,895</u>	<u>534,079</u>	<u>10,426,233</u>
Total capital assets being depreciated/ amortized, net	<u>4,221,606</u>	<u>(158,751)</u>	<u>17,557</u>	<u>4,045,298</u>
Governmental activities capital assets, net	\$ <u>4,569,366</u>	\$ <u>(158,751)</u>	\$ <u>17,557</u>	\$ <u>4,393,058</u>

Depreciation/amortization expense was charged to the following functions:

Governmental activities:	
Student support services	\$ 402,031
Media services and instruction	251,278
General administration	50,714
Educational services	22,468
Plant operations and maintenance	6,614
Central and other support services	<u>8,790</u>
Total depreciation/amortization expense - Governmental activities	\$ <u>741,895</u>

Buildings within governmental activities includes \$2,439,972 acquired under capital leases.

# GREAT PRAIRIE AREA EDUCATION AGENCY

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

### NOTE 4: CHANGES IN LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2012 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
Certificates of participation	\$ 2,108,000	\$ -	\$ 433,421	\$ 1,674,579	\$ 435,394
Compensated absences	<u>154,665</u>	<u>131,684</u>	<u>154,665</u>	<u>131,684</u>	<u>131,684</u>
Total	<u>\$ 2,262,665</u>	<u>\$ 131,684</u>	<u>\$ 588,086</u>	<u>\$ 1,806,263</u>	<u>\$ 567,078</u>

#### Certificates of Participation

The Agency sold certificates of participation for land and facilities for a total of \$5,650,000. The certificates of participation represent an ownership interest of the certificate holder in a lease purchase agreement. The certificates mature over a period of 20 years with interest rates ranging from 3.25% to 4.08%. The following is a schedule by year of the future minimum payments required:

Year Ending June 30,	Principal	Interest	Total
2013	\$ 435,394	\$ 59,801	\$ 495,195
2014	289,729	45,860	335,589
2015	275,085	35,484	310,569
2016	279,371	23,460	302,831
2017	195,000	16,116	211,116
Thereafter	<u>200,000</u>	<u>8,160</u>	<u>208,160</u>
Total	<u>\$ 1,674,579</u>	<u>\$ 188,881</u>	<u>\$ 1,863,460</u>

Payments on the certificates of participation for the year ended June 30, 2012, including interest, totaled \$515,034.

### NOTE 5: PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the Agency is required to contribute 8.07% of annual covered salary. Contribution requirements are established by state statute. The Agency's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$1,224,310, \$1,100,630 and \$1,059,819, respectively, equal to the required contributions for each year.

### NOTE 6: RISK MANAGEMENT

Great Prairie Area Education Agency is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 7: MAJOR REVENUE SOURCE

The Agency receives the majority of its funding from grants with the State of Iowa and the Federal government. The majority of the Agency's funding is accomplished through a reimbursement system. The Agency incurs the expense, pays for the expense, submits a reimbursement voucher to the appropriate agency and is reimbursed for the expense.

NOTE 8: OPERATING LEASES

The Agency has leased various facilities within the area to house the different divisions of the Agency. These leases have been classified as operating leases and, accordingly, all rents are charged to expenditures as incurred. The leases have various expiration dates. Certain leases are renewable for additional periods. Some of the leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2012.

Year Ending  
June 30,

2013	36,783
2014	<u>7,800</u>
Total	\$ <u>44,583</u>

The total rental expenditures for the year ended June 30, 2012, for all operating leases, except those with terms of a month or less that were not renewed, were \$73,346.

NOTE 9: LITIGATION

The Agency is, from time to time, involved in lawsuits arising in the ordinary course of its business that, in the opinion of management, will not have a material effect on the Agency's results of operations.

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The Agency operates a single-employer retiree benefit plan which provides medical benefits for retirees and, if elected, their spouses. There are 159 active and 45 retired members in the plan.

The medical coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy – The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2012, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation (asset):

Annual required contribution	\$ 110,225
Interest on net OPEB obligation	(3,939)
Adjustment to annual required contribution	<u>6,601</u>
Annual OPEB cost	112,887
Contributions made	<u>(165,319)</u>
Decrease in net OPEB cost	(52,432)
Net OPEB asset beginning of year	<u>(131,302)</u>
Net OPEB asset end of year	\$ <u>(183,734)</u>

For calculation of the net OPEB asset, the actuary has set the transition day as July 1, 2008. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2012.

For the year ended June 30, 2012, plan members eligible for benefits contributed \$165,319 or 100% of the premium costs.

Agency's Annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB asset are summarized as follows:

<u>Year</u> <u>Ended June 30,</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Asset</u>
2010	\$ <u>118,642</u>	137.8%	\$ <u>(85,498)</u>
2011	\$ <u>109,034</u>	142.0%	\$ <u>(131,302)</u>
2012	\$ <u>112,887</u>	146.5%	\$ <u>(183,734)</u>

Funded Status and Funding Progress – As of July 1, 2010, the most recent actuarial valuation date for the period July 1, 2011 through June 30, 2012, the actuarial accrued liability was \$1,353,485 with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,353,485. The covered payroll (annual payroll of active employees covered by the plan) was \$15,071,398 and the ratio of the UAAL to covered payroll was 8.98%. As of June 30, 2012, there were no trust fund assets.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

As of the July 1, 2010 actuarial valuation date, the projected unit credit and the entry age normal actuarial cost methods were used. The actuarial assumptions include a 3% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 9%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1 % each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Combined Mortality Rates for Male and Female, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from recent Great Prairie AEA School District experience and applying the termination factors based upon national termination studies performed by the Society of Actuaries.

Projected claim costs of the medical plan are \$847 per month. The UAAL is being amortized as a level dollar amount over a maximum of 30 years.

NOTE 11: INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to:</u>	<u>Transfer from:</u>	
	Special Revenue Funds:	
General	Special Education Instruction	\$ <u>6,297</u>
Capital Projects	General	<u>185,517</u>
Debt Service	General	<u>411,613</u>
		\$ <u>603,427</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

NOTE 12: EVALUATION OF SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through November 29, 2012, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION



GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES  
IN BALANCES - BUDGET AND ACTUAL  
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND  
REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED JUNE 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Fund <u>Actual</u>	Total <u>Actual</u>
Revenues:			
Local sources	\$ 7,290,029	\$ 11,751	\$ 7,301,780
State sources	7,907,237	-	7,907,237
Federal sources	10,047,680	-	10,047,680
Total revenues	<u>25,244,946</u>	<u>11,751</u>	<u>25,256,697</u>
Expenditures/Expenses:			
Current:			
Instruction	671,726	-	671,726
Student support services	18,744,872	-	18,744,872
Media services	1,824,622	-	1,824,622
General administration	1,047,223	-	1,047,223
Educational services	2,363,753	-	2,363,753
Plant operations and maintenance	308,286	-	308,286
Central and other support services	409,765	-	409,765
Non instructional programs	-	11,751	11,751
Debt service	515,034	-	515,034
Facilities Acquisition	185,517	-	185,517
Total expenditures/expenses	<u>26,070,798</u>	<u>11,751</u>	<u>26,082,549</u>
Excess (deficiency) of revenues over (under) expenditures/ expenses	(825,852)	-	(825,852)
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(825,852)	-	(825,852)
Balance beginning of year	<u>5,238,832</u>	<u>47,425</u>	<u>5,286,257</u>
Balance end of year	\$ <u>4,412,980</u>	\$ <u>47,425</u>	\$ <u>4,460,405</u>

Budget		Final to
<u>Original</u>	<u>Final</u>	<u>Actual</u>
		<u>Variance</u>
\$ 7,978,155	\$ 7,780,268	\$ (478,488)
9,658,443	7,852,804	54,433
9,639,624	10,488,887	(441,207)
<u>27,276,222</u>	<u>26,121,959</u>	<u>(865,262)</u>
750,219	691,186	19,460
19,993,362	19,107,975	363,103
1,760,165	1,685,968	(138,654)
1,098,285	1,125,151	77,928
2,579,018	2,333,674	(30,079)
377,155	384,963	76,677
378,849	406,085	(3,680)
500,000	500,000	488,249
515,738	505,911	(9,123)
-	185,548	31
<u>27,952,791</u>	<u>26,926,461</u>	<u>843,912</u>
(676,569)	(804,502)	(21,350)
<u>-</u>	<u>(33,909)</u>	<u>33,909</u>
(676,569)	(838,411)	12,559
<u>4,597,777</u>	<u>5,286,258</u>	<u>(1)</u>
\$ <u>3,921,208</u>	\$ <u>4,447,847</u>	\$ <u>12,558</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY REPORTING

YEAR ENDED JUNE 30, 2012

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund. ✓

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents function expenditures/expenses by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

For the year ended June 30, 2012, the Agency's expenditures/expenses did not exceed the approved budget.

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF FUNDING PROGRESS FOR THE  
RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c
2009	July 1, 2008	\$ -	\$ 1,540,114	\$ 1,540,114	0.00%	\$ 10,369,470	14.85%
2010	July 1, 2008	\$ -	\$ 1,540,114	\$ 1,540,114	0.00%	\$ 16,530,866	9.32%
2011	July 1, 2010	\$ -	\$ 1,353,485	\$ 1,353,485	0.00%	\$ 16,806,809	8.05%
2012	July 1, 2010	\$ -	\$ 1,353,485	\$ 1,353,485	0.00%	\$ 15,071,398	8.98%

See Note 10 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Asset, funded status and funding progress.

OTHER SUPPLEMENTARY INFORMATION

## GREAT PRAIRIE AREA EDUCATION AGENCY

COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 JUNE 30, 2012

	Special Revenue			
	Special Education Instruction	Juvenile Home Education	Debt Service	Total
<u>ASSETS</u>				
Cash and pooled investments	\$ -	\$ 74,212	\$ 396,579	\$ 470,791
Accounts receivable	205,855	478	-	206,333
TOTAL ASSETS	\$ 205,855	\$ 74,690	\$ 396,579	\$ 677,124
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 755	\$ 2,836	\$ -	\$ 3,591
Cash overdraft	82,179	-	-	82,179
Salaries and benefits payable	57,676	53,621	-	111,297
Deferred revenue:				
Federal grants	-	18,233	-	18,233
Total liabilities	140,610	74,690	-	215,300
Fund balances:				
Restricted for:				
Other purposes	65,245	-	396,579	461,824
TOTAL LIABILITIES AND FUND BALANCES	\$ 205,855	\$ 74,690	\$ 396,579	\$ 677,124

GREAT PRAIRIE AREA EDUCATION AGENCY  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 YEAR ENDED JUNE 30, 2012

	Special Revenue				
	Special Education Instruction	Juvenile Home Education	Debt Service	Capital Projects	Total
Revenues:					
Local sources	\$ 343,802	\$ -	\$ -	\$ -	\$ 343,802
State sources	26,840	307,379	-	-	334,219
Total revenues	370,642	307,379	-	-	678,021
Expenditures:					
Current:					
Instruction	364,347	307,379	-	-	671,726
Debt service	-	-	515,034	-	515,034
Facilities acquisition	-	-	-	185,517	185,517
Total expenditures	364,347	307,379	515,034	185,517	1,372,277
Excess (deficiency) of revenues over (under) expenditures	6,295	-	(515,034)	(185,517)	(694,256)
Other financing sources (uses):					
Transfers in	-	-	411,613	185,517	597,130
Transfers out	(6,297)	-	-	-	(6,297)
Total other financing sources (uses)	(6,297)	-	411,613	185,517	590,833
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(2)	-	(103,421)	-	(103,423)
Fund balances beginning of year	65,247	-	500,000	-	565,247
Fund balances end of year	\$ 65,245	\$ -	\$ 396,579	\$ -	\$ 461,824

## GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST FIVE YEARS

		Modified Accrual Basis Year Ended June 30,				
		<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:						
Local sources	\$	7,290,029	\$ 7,133,840	\$ 7,131,224	\$ 7,066,266	\$ 7,215,058
State sources		7,907,237	9,659,084	8,706,614	9,540,916	8,848,117
Federal sources		<u>10,047,680</u>	<u>11,743,897</u>	<u>17,052,704</u>	<u>10,961,195</u>	<u>9,959,860</u>
Total	\$	<u>\$ 25,244,946</u>	<u>\$ 28,536,821</u>	<u>\$ 32,890,542</u>	<u>\$ 27,568,377</u>	<u>\$ 26,023,035</u>
Expenditures:						
Current:						
Instruction	\$	671,726	\$ 761,559	\$ 659,681	\$ 658,425	\$ 714,252
Student support services		18,744,872	19,911,931	24,135,151	20,431,684	18,738,308
Media services		1,824,622	1,830,424	1,850,802	1,887,759	1,839,742
General administration		1,047,223	1,102,982	1,012,589	1,041,633	1,077,202
Educational services		2,363,753	3,147,885	3,279,222	2,565,832	2,356,146
Plant operations and maintenance		308,286	333,459	316,868	330,574	339,082
Central and other support services		409,765	397,659	346,287	390,100	368,189
Debt service		515,034	539,237	383,660	372,108	607,189
Facilities Acquisition		<u>185,517</u>	<u>515,705</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$	<u>\$ 26,070,798</u>	<u>\$ 28,540,841</u>	<u>\$ 31,984,260</u>	<u>\$ 27,678,115</u>	<u>\$ 26,040,805</u>



## GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

<u>Project Title</u>	<u>CFDA</u> <u>Number</u>	<u>Pass-through</u> <u>Grantor's</u> <u>Number</u>	<u>Expenditures</u>
<u>Indirect:</u>			
U.S. Department of Education:			
Iowa Department of Education:			
Handicapped Preschool Program	84.027	111215	\$ 6,796,768
Handicapped Preschool Program (Lea Flowthrough)	84.027	2KB2-15	1,973,397
Parent Educator	84.027	1K74-15	102,648
LETRS Training	84.027	024012	30,000
Transition Grant	84.027	SPDG-15	27,450
Learning Supports	84.027	111215	247,539
			<u>9,177,802</u>
Section 619 Ages 3-5	84.173	11619-15	294,589
IQPPS	84.173	014612	800
DE Autism	84.173	021412	1,372
			<u>9,474,563</u>
Part C Infants and Toddlers	84.181	C11-15	<u>236,010</u>
Eisenhower Math/Science Block Grant	84.281A	--	<u>12,237</u>
E2T2	84.318	EETTFY1109	<u>86,298</u>
Safe and Supportive Schools	84.184Y	--	<u>108,071</u>
Title III ELL/LEP	84.365	ELA 11-008	<u>106,043</u>
Ed Tech State Grants	84.386	--	<u>7,017</u>
Total			\$ <u>10,030,239</u>

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2012

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Great Prairie Area Education Agency and is presented on the modified accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of  
Great Prairie Area Education Agency

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Great Prairie Area Education Agency as of and for the year ended June 30, 2012, which collectively comprise the Agency's basic financial statements listed in the table of contents, and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of Great Prairie Area Education Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Great Prairie Area Education Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Great Prairie Area Education Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Great Prairie Area Education Agency's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis. We found no deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 12-II-A to be a significant deficiency.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Great Prairie Area Education Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Great Prairie Area Education Agency's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Great Prairie Area Education Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Great Prairie Area Education Agency's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Agency's responses, we did not audit Great Prairie Area Education Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Great Prairie Area Education Agency and other parties to whom Great Prairie Area Education Agency may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Great Prairie Area Education Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
November 29, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of  
Great Prairie Area Education Agency

Compliance

We have audited Great Prairie Area Education Agency's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. Great Prairie Area Education Agency's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Great Prairie Area Education Agency's management. Our responsibility is to express an opinion on Great Prairie Area Education Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Great Prairie Area Education Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Great Prairie Area Education Agency's compliance with those requirements.

In our opinion, Great Prairie Area Education Agency complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

The management of Great Prairie Area Education Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Great Prairie Area Education Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified.

A deficiency in an Agency's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented, detected and corrected on a timely basis. We found no deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Great Prairie Area Education Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the Agency's responses, we did not audit Great Prairie Area Education Agency's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Great Prairie Area Education Agency and other parties to whom Great Prairie Area Education Agency may report including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
November 29, 2012

GREAT PRAIRIE AREA EDUCATION AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

Part I: Summary of the Independent Auditor's Results:

- a. Unqualified opinions were issued on the financial statements.
- b. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any non-compliance which is material to the financial statements.
- d. No material weaknesses in internal control over major programs were disclosed by the audit of the financial statements.
- e. An unqualified opinion was issued on compliance with requirements applicable to each major program.
- f. The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. Major programs were as follows:
  - CFDA Number 84.027 – Special Education – Grants to States
  - CFDA Number 84.173 – Special Education – Preschool Grants
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. Great Prairie Area Education Agency qualifies as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Significant Deficiencies:

- 12-II-A Payroll Disbursements – Certain Agency employees are paid twice monthly, on the 10<sup>th</sup> and the 25<sup>th</sup>. These Agency employees are paid for days they have not yet worked. Payments for time not yet worked could lead to a loss by the Agency and is not good business practice.

Recommendation – The Agency should examine their policies in this area and consider changing this policy.

Response – The Agency has implemented a plan to phase out the twice monthly payrolls and convert those Agency employees to the once monthly payroll cycle. This will be completed by August 2013.

Conclusion – Response accepted.

Instances of Non-compliance – No matters were noted.

GREAT PRAIRIE AREA EDUCATION AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2012

Part III: Findings and Questioned Costs for Federal Awards:

Significant Deficiencies – No matters were noted.

Instances of Non-compliance – No matters were noted.

Part IV: Other Findings Related to Required Statutory Reporting:

- 12-IV-A Certified Budget – Expenditures during the year ended June 30, 2012 did not exceed the amounts budgeted.
- 12-IV-B Questionable Expenditures – We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 12-IV-C Travel Expense – No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- 12-IV-D Business Transactions – No business transactions between Great Prairie Area Education Agency and Agency officials or employees were noted.
- 12-IV-E Bond Coverage – Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 12-IV-F Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- 12-IV-G Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Agency's investment policy were noted.
- 12-IV-H Certified Annual Report – The Certified Annual Report was certified timely to the Iowa Department of Education.
- 12-IV-I Categorical Funding – No instances of categorical funding used to supplant rather than supplement other funds were noted.